

**bear mar·ket** (bâr - mär' kīt) A colloquial phrase that is used to describe a market that is in a downward trend. This phrase is derived from the fact that a bear attacks with the downward thrust of its claws.

**bull mar·ket** ((bōol - mär' kīt) A colloquial phrase that is used to describe a market that is in an upward trend. This is derived from the fact that a bull attacks with an upward thrust of his horns.

**cap·i·tal·i·za·tion** (kăp' ĭ tl ĭ zā' shən) The total market value of a company. What it would cost to purchase all outstanding shares of a company. When categorizing companies, capitalization is usually referenced as one of three categories depending on their relative size: small cap, mid cap, and large cap.

**port·fo·li·o** (pôrt-fō' lē-ō') The total investment holdings of an individual or institution.

# Investment Section

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*Defining the Foundation of Your Retirement Plan*







## Investment Section

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STATE OF SOUTH CAROLINA

### OFFICE OF STATE TREASURER

GRADY L. PATTERSON, JR.  
STATE TREASURER



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October 1, 2006

The Honorable Mark Sanford  
Governor, State of South Carolina  
Members of the General Assembly of South Carolina

Dear Governor and Members:

As Custodian of funds for the South Carolina Retirement Systems (SCRS), I am pleased to submit the following information on the SCRS investments for Fiscal Year ended June 30, 2006.

With the enactment of Act 153, this year saw the first major change in the oversight and responsibility of the retirement system assets since its inception over 60 years ago. I am happy to report that the transition of this tremendous responsibility to the South Carolina Retirement System Investment Commission has gone extremely well. I am confident that our group of hardworking, dedicated professionals will exercise the utmost care and prudence in executing our responsibilities for the benefit of our worthy retirees and dedicated state employees. The importance of this responsibility cannot be understated and as a reminder, I would like to highlight for you that our average SCRS retiree receives a benefit of less than \$16,000 a year and is dependent upon this benefit for their very well being.

The investment results attained for this year in the consolidated portfolio was 5.13 percent and was 6.96 percent for the three year time period, 6.10 percent for the five year period and 6.84 percent for the ten year period.

As of fiscal year end, the equity portion of the portfolio had grown to 53 percent with half of this invested in a passively managed account and the remainder in actively managed accounts. The equity allocation returned 10.34 percent for the fiscal year ending June 30, 2006 while outperforming the S&P 500 Index which returned 8.64 percent and the Russell 3000 Index, which returned 9.57 percent. The return for the equity portfolio was 12.67 percent for the three year time period and 3.33 percent for the five year period.

The bond market again experienced another challenging year as the Federal Reserve continued their process of returning the Federal Funds rate to a neutral level by raising it 25 basis points at each of the eight meetings held during the fiscal year for an accumulated increase of 2.00 percent. While it appears as though the interest rate increases are behind us, it is anticipated that newly appointed Federal Reserve Chairman and South Carolina native, Ben Bernanke and the Federal Reserve Board will be ever vigilant of the economic data in their attempt to restrain the inflationary forces that can ravage the value of our financial assets.

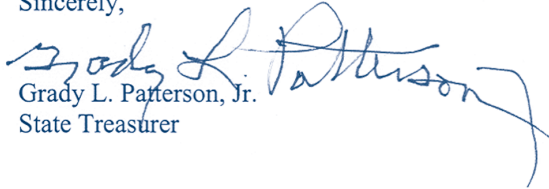
The fixed income portfolio for which my office is directly responsible for performed exceptionally well for this fiscal year, outperforming the market indices and our private sector peers, at a fraction of the cost. The return for this past fiscal year was 0.68 percent, exceeding our benchmark, the Lehman Aggregate Index, which returned a negative 0.81 percent reflecting 87 basis points of excess return. The return for the fixed income portfolio was 2.98 percent for the three year time period, 5.71 percent for the five year period and 6.94 percent for the ten year period.

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Our economy continues to demonstrate tremendous resiliency but as this bull market in stocks enters its fourth year we remain cautious in regards to the market's ability to deliver the absolute returns that we had grown accustomed to in the 1990's. We do, however, expect the SCRS funds to continue to perform at better than market levels this upcoming year. That expectation is soundly based on our history of prudent, conservative investments.

As Custodian of funds, it gives me great pleasure to provide this information.

Sincerely,



Grady L. Patterson, Jr.  
State Treasurer

**Reynolds Williams**  
Chairman

**James R. Powers**  
Vice Chairman

**Grady L. Patterson, Jr.**  
State Treasurer

**Robert L. Borden, CFA**  
Chief Investment Officer

### State of South Carolina Retirement System Investment Commission



Post Office Box 11960  
COLUMBIA, SOUTH CAROLINA 29211

**Blaine Ewing**

**Allen R. Gillespie, CFA**

**S. Travis Pritchett**

**Nancy E. Shealy**  
Administrative Director  
and General Counsel

November 20, 2006

The Honorable Mark Sanford, Governor  
and  
Budget and Control Board  
State of South Carolina  
and  
Members of the General Assembly of South Carolina

Dear Ladies and Gentlemen:

It is our pleasure to provide the first report on the investments of the South Carolina Retirement Systems' (Retirement Systems) portfolio by the Investment Commission. We are happy to report that fiscal year 2006 witnessed significant, positive changes for the investments of the Retirement Systems' assets.

During the 2005 legislative session, the South Carolina General Assembly passed Act 153, the State Retirement System Preservation and Investment Reform Act. The Act took great strides in laying the foundation for positive, structural change. The Act made the following changes:

- Effective October 1, 2005, established the six-member South Carolina Retirement System Investment Commission, which is made up of financial experts, including the State Treasurer, and a nonvoting retired member.
- The Act replaced the previously bifurcated investment structure with the Commission, which is responsible for investing and managing all assets of the Retirement Systems and is completely, independently, and fully empowered to make all investment decisions.
- Created the role of Chief Investment Officer.
- Increased the maximum portion of the portfolio that may be invested in equities from 40 percent to 70 percent.
- Statutorily allowed for the investment of assets into new categories such as real estate, international fixed income, international equities, private equity as well as other types of investments commonly and prudently invested in by our peers.

The November 7, 2006, election completed the cycle of change by removing the constitutional prohibition against investment in securities not listed on a national exchange. We expect the General Assembly to ratify the constitutional change early next year. At that time, we will complete the process of fully diversifying the Retirement Systems' assets methodically and deliberately.

The Statement of Investment Objectives (SIO) and Policies (SIP) cover the general guidelines and the goals for the investment of the Retirement Systems' assets. The investment program is implemented through an Annual Investment Plan (AIP) which details the asset allocation between the active management and passive management, between large-cap equity and small-cap equity, between styles of equity management (growth, value, and core) and between individual managers. Additionally, the AIP sets forth rebalancing procedures, permissible investments, and benchmarks for performance evaluation. Each fiscal year, the goals, objectives

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## Investment Section

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and policies of the investment program are reviewed and updated to ensure that the portfolio is managed to achieve the goals of the Retirement Systems with appropriate fiduciary oversight. The AIP is updated to be consistent with any changes in the management or structure of the portfolio.

Mercer Investment Consulting, Inc., as the Retirement Systems' consultant through the end of fiscal year 2006, was responsible for providing quarterly investment performance reports (prepared in accordance with the performance presentations standards promulgated by the Association of Investment Management & Research, or AIMR) to the Commission, which evaluated the performance of the Systems' equity portfolio and managers. Performance was compared to market benchmarks and to other similar managers over various periods of time, and progress toward long-term goals and asset allocation was also monitored. These reports were prepared using data provided by the Retirement Systems' custodian and investment managers.

Unfortunately, due to the previous lack of diversification in our portfolio, the investment returns for the Retirement Systems have fallen behind its peers. As of June 30, 2006, the Retirement Systems' portfolio totaled \$25.97 billion with 46.3 percent invested in domestic fixed income securities and 53.7 percent invested in domestic equity securities. This allocation was consistent with the targets and ranges set forth in the Annual Investment Plan and within the statutory limitations previously placed upon the assets. For the one-, three- and five-year periods ended June 30, 2006, the total portfolio returned 5.13 percent, 6.96 percent and 6.10 percent, respectively, lagging the Mellon Public Fund Universe (a commonly used industry database of large public funds exceeding \$1 billion in assets) by 680, 640, and 110 basis points, respectively.

The Commission is committed to use industry best practices to transform South Carolina Retirement Systems' investment program into a top quartile ranked public pension fund, on a risk-adjusted basis, while working to exceed the Commission's target rate of return. We believe that we now have the necessary structure and tools in place to achieve this critical goal. However, the diversification process and resulting increase in investment performance will not happen overnight. Therefore, we must be patient and persistent in our effort to increase the returns of the portfolio while prudently managing the associated risk.

While the Commission is currently hiring a highly qualified and professional staff and developing the infrastructure necessary to implement these goals, during fiscal year 2006, consulting and investment services were provided by the State Treasurer's Office; Jamison, Eaton & Woods; and Mercer Consulting.

We are poised for significant, progressive change for the Retirement Systems' investment portfolio. With that change comes great opportunity. We look forward to serving the citizens of the State of South Carolina and seizing the great opportunity that is before us. The Commission is dedicated to providing complete transparency of its plans, goals, and results to the public.

We are committed to the interests of the members of the Retirement Systems, and we will continue to manage the assets of the fund in a prudent manner, seeking superior returns at acceptable levels of risk. It is a tremendous responsibility and opportunity for us to serve as the Commission's first Chairman and CIO.

Sincerely,  
  
Reynolds Williams, Chairman

  
Robert L. Borden, CFA

## Investment Section

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### South Carolina Retirement System Summary of Investment Growth *(Amounts expressed in thousands)*

<u>Year Ended June 30,</u>	<u>Market Value of Investments*</u>	<u>% Increase for Year</u>	<u>Net Income from Investments</u>	<u>% Increase for Year</u>
2006	\$ 22,741,048	0.99%	\$ 1,134,639	-24.20%
2005	22,517,910	5.69%	1,496,887	-14.93%
2004	21,305,463	6.69%	1,759,686	5.83%
2003	19,969,435	8.29%	1,662,781	876.48%
2002	18,440,327	-0.20%	170,284	-86.84%
2001	18,477,867	7.35%	1,293,997	63.33%
2000	17,212,697	4.31%	792,282	101.16%
1999	16,502,052	2.33%	393,856	-79.32%
1998	16,126,828	13.22%	1,904,740	57.12%
1997	14,244,260	9.04%	1,212,272	92.86%

### Police Officers Retirement System Summary of Investment Growth *(Amounts expressed in thousands)*

<u>Year Ended June 30,</u>	<u>Market Value of Investments*</u>	<u>% Increase for Year</u>	<u>Net Income from Investments</u>	<u>% Increase for Year</u>
2006	\$ 2,917,468	4.31%	\$ 139,785	-20.51%
2005	2,796,872	6.52%	175,849	-17.13%
2004	2,625,710	7.90%	212,201	15.22%
2003	2,433,396	8.98%	184,177	886.48%
2002	2,232,967	1.44%	18,670	-87.52%
2001	2,201,277	9.49%	149,574	60.10%
2000	2,010,545	6.49%	93,425	75.27%
1999	1,887,931	4.54%	53,304	-74.37%
1998	1,805,884	15.13%	207,998	57.77%
1997	1,568,593	10.30%	131,834	90.02%

\*Market value includes investment categories classified as cash equivalents for financial statement purposes. Securities lending assets are excluded.

## Investment Section

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### General Assembly Retirement System Summary of Investment Growth *(Amounts expressed in thousands)*

<u>Year Ended June 30,</u>	<u>Market Value of Investments*</u>	<u>% Increase for Year</u>	<u>Net Income from Investments</u>	<u>% Increase for Year</u>
2006	\$ 45,282	-2.20%	\$ 2,086	-35.58%
2005	46,300	3.42%	3,238	-19.67%
2004	44,771	3.93%	4,031	0.65%
2003	43,078	5.09%	4,005	14,203.57%
2002	40,990	-3.51%	28	-99.07%
2001	42,482	5.16%	3,022	65.41%
2000	40,397	2.44%	1,827	54.83%
1999	39,435	1.79%	1,180	-72.79%
1998	38,742	10.94%	4,337	48.43%
1997	34,922	6.32%	2,922	79.70%

### Judges and Solicitors Retirement System Summary of Investment Growth *(Amounts expressed in thousands)*

<u>Year Ended June 30,</u>	<u>Market Value of Investments*</u>	<u>% Increase for Year</u>	<u>Net Income from Investments</u>	<u>% Increase for Year</u>
2006	\$ 122,128	3.24%	\$ 5,761	-29.30%
2005	118,299	6.96%	8,148	-11.35%
2004	110,597	7.73%	9,191	4.50%
2003	102,657	8.70%	8,795	758.05%
2002	94,439	0.01%	1,025	-85.62%
2001	94,426	8.99%	7,128	88.02%
2000	86,637	4.13%	3,791	61.18%
1999	83,198	2.87%	2,352	-75.29%
1998	80,878	13.47%	9,520	60.03%
1997	71,276	9.53%	5,949	86.78%

\*Market value includes investment categories classified as cash equivalents for financial statement purposes. Securities lending assets are excluded.



## Investment Section

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### National Guard Retirement System Summary of Investment Growth *(Amounts expressed in thousands)*

<b>Year Ended <u>June 30,</u></b>	<b><u>Market Value of Investments*</u></b>	<b><u>% Increase for Year</u></b>	<b><u>Net Income from Investments</u></b>	<b><u>% Increase for Year</u></b>
2006	\$ 12,690	%	\$ 89	%

\*Market value includes investment categories classified as cash equivalents for financial statement purposes. Securities lending assets are excluded.

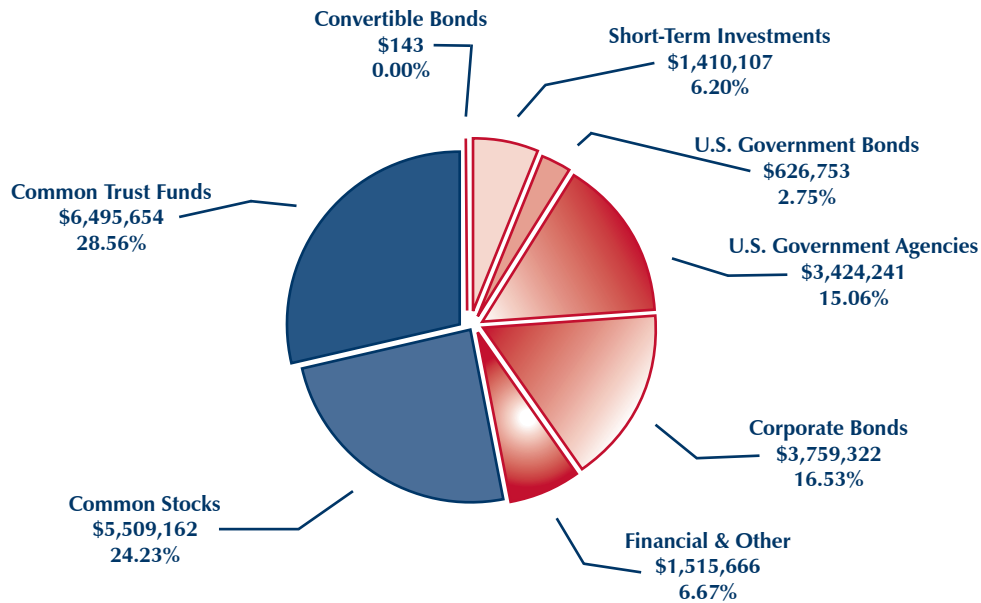
The South Carolina Retirement Systems did not assume administrative responsibilities for the National Guard Retirement System until January 1, 2006; therefore, prior year data is not presented.

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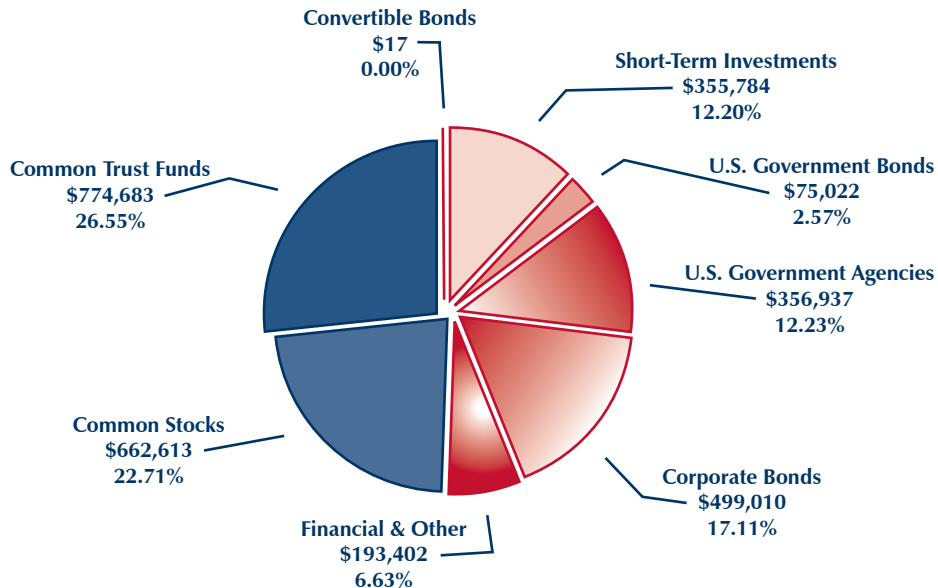
## Investment Section

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### South Carolina Retirement System Schedule of Asset Allocation *Market Value as of June 30, 2006*



### Police Officers Retirement System Schedule of Asset Allocation *Market Value as of June 30, 2006*



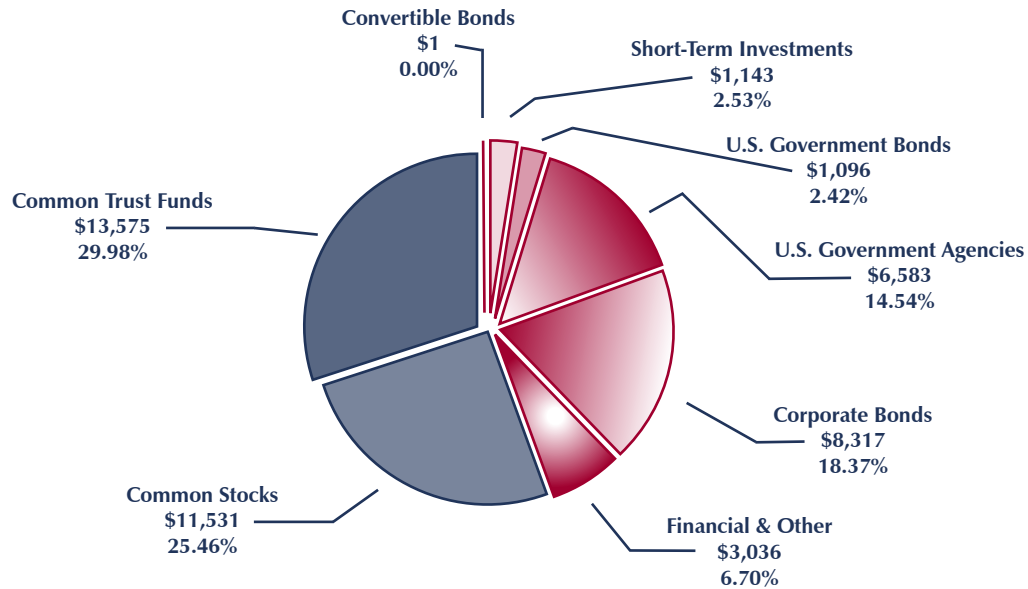
Note: Dollar amounts expressed in thousands. Short-term investments with an original maturity of three months or less were classified as cash equivalents for financial statement purposes.

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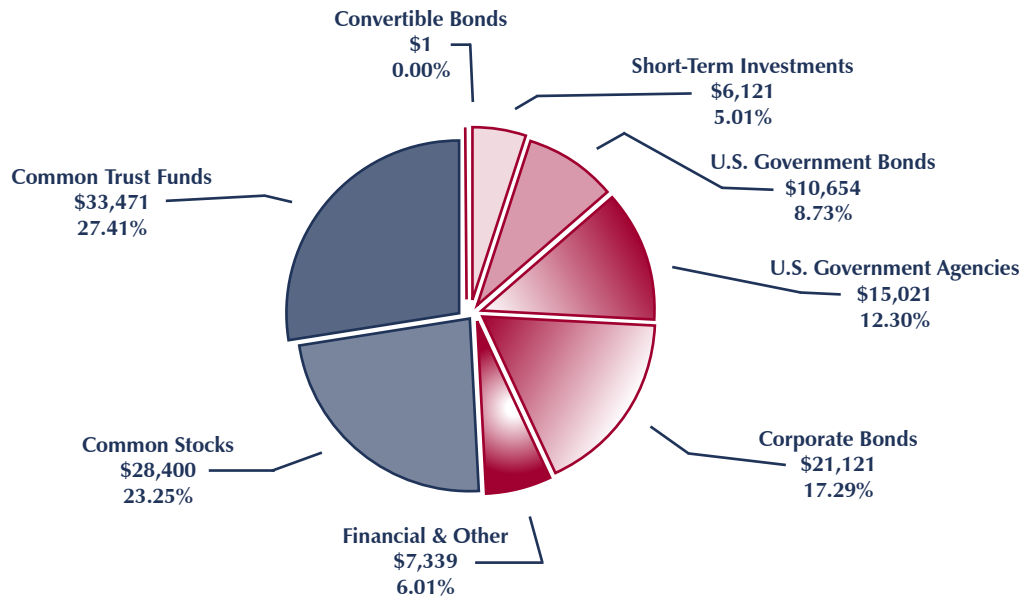
## Investment Section

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### General Assembly Retirement System Schedule of Asset Allocation *Market Value as of June 30, 2006*



### Judges and Solicitors Retirement System Schedule of Asset Allocation *Market Value as of June 30, 2006*



Note: Dollar amounts expressed in thousands. Short-term investments with an original maturity of three months or less were classified as cash equivalents for financial statement purposes.

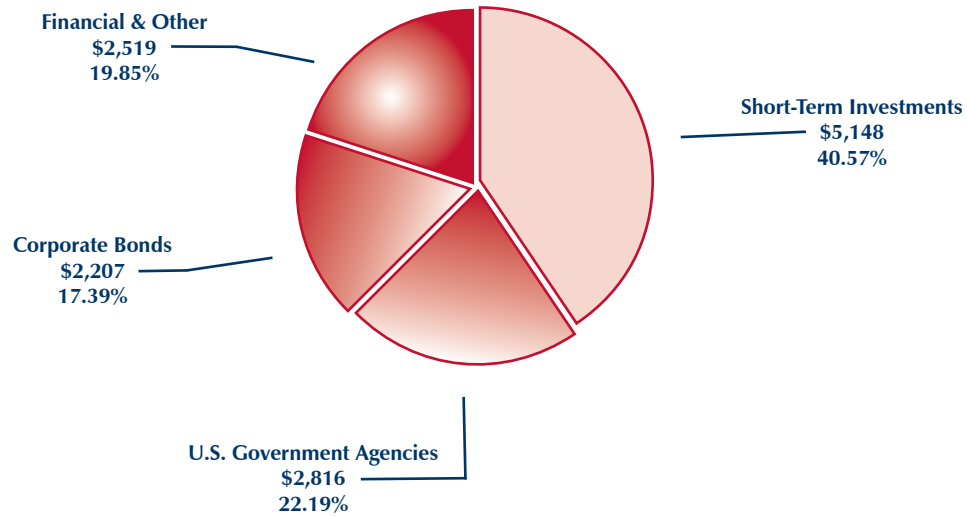


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## Investment Section

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### National Guard Retirement System Schedule of Asset Allocation *Market Value as of June 30, 2006*



Note: Dollar amounts expressed in thousands. Short-term investments with an original maturity of three months or less were classified as cash equivalents for financial statement purposes.

## Investment Section

### Summary of Market Value of Investments (Amounts expressed in thousands)

	South Carolina Retirement System			Police Officers Retirement System		
	<u>Market Value</u>		<u>% of</u>	<u>Market Value</u>		<u>% of</u>
	<u>06/30/2005</u>	<u>06/30/2006</u>	<u>Market Value</u> <u>at 06/30/06</u>	<u>06/30/2005</u>	<u>06/30/2006</u>	<u>Market Value</u> <u>at 06/30/06</u>
<b>Short-Term Investments:</b>						
Repurchase Agreements	\$ 2,325,557	\$ 1,358,482	5.97%	\$ 261,462	\$ 350,557	12.02%
Money Market Funds	-	1,982	0.01%	-	237	0.01%
Commercial Paper	133,626	29,685	0.13%	4,999	-	0.00%
Federal Agencies	269,858	19,958	0.09%	70,493	4,990	0.17%
	<u>2,729,041</u>	<u>1,410,107</u>	<u>6.20%</u>	<u>336,954</u>	<u>355,784</u>	<u>12.20%</u>
<b>U.S. Government Agencies &amp; Government Insured:</b>						
Treasury Notes	1,624,521	99,806	0.44%	269,297	-	0.00%
Treasury Bonds	310,441	239,589	1.05%	31,841	27,045	0.93%
Treasury Bonds (Zero Coupons)	783,744	287,358	1.26%	84,757	47,977	1.64%
U.S. Government Agencies	1,426,938	3,398,418	14.95%	220,636	352,544	12.08%
Insured Marine Bonds	27,755	25,823	0.11%	4,580	4,393	0.15%
	<u>4,173,399</u>	<u>4,050,994</u>	<u>17.81%</u>	<u>611,111</u>	<u>431,959</u>	<u>14.80%</u>
<b>Corporate Bonds:</b>						
Industrials	2,047,270	1,780,335	7.83%	177,000	185,516	6.36%
Utilities	1,958,049	1,978,987	8.70%	264,087	313,494	10.75%
Financial & Other	1,821,262	1,515,666	6.67%	238,882	193,402	6.63%
	<u>5,826,581</u>	<u>5,274,988</u>	<u>23.20%</u>	<u>679,969</u>	<u>692,412</u>	<u>23.74%</u>
<b>Convertible Bonds</b>	<u>105</u>	<u>143</u>	<u>0.00%</u>	<u>13</u>	<u>17</u>	<u>0.00%</u>
	<u>105</u>	<u>143</u>	<u>0.00%</u>	<u>13</u>	<u>17</u>	<u>0.00%</u>
<b>Common Stock</b>	<u>4,542,619</u>	<u>5,509,162</u>	<u>24.23%</u>	<u>543,924</u>	<u>662,613</u>	<u>22.71%</u>
	<u>4,542,619</u>	<u>5,509,162</u>	<u>24.23%</u>	<u>543,924</u>	<u>662,613</u>	<u>22.71%</u>
<b>Common Trust Funds</b>	<u>5,246,165</u>	<u>6,495,654</u>	<u>28.56%</u>	<u>624,901</u>	<u>774,683</u>	<u>26.55%</u>
	<u>5,246,165</u>	<u>6,495,654</u>	<u>28.56%</u>	<u>624,901</u>	<u>774,683</u>	<u>26.55%</u>
<b>Total Investments</b>	<u>\$ 22,517,910</u>	<u>\$ 22,741,048</u>	<u>100.00%</u>	<u>\$ 2,796,872</u>	<u>\$ 2,917,468</u>	<u>100.00%</u>

Note: Market value excludes securities lending assets.

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### Summary of Market Value of Investments (Amounts expressed in thousands)

	General Assembly Retirement System			Judges and Solicitors Retirement System		
	<u>Market Value</u>		<u>% of</u>	<u>Market Value</u>		<u>% of</u>
	06/30/2005	06/30/2006	Market Value at 06/30/06	06/30/2005	06/30/2006	Market Value at 06/30/06
<b>Short-Term Investments:</b>						
Repurchase Agreements	\$ 8,029	\$ 1,139	2.52%	\$ 13,264	\$ 6,111	5.00%
Money Market Funds	-	4	0.01%	-	10	0.01%
Commercial Paper	-	-	-	-	-	-
Federal Agencies	-	-	-	502	-	-
	<u>8,029</u>	<u>1,143</u>	<u>2.53%</u>	<u>13,766</u>	<u>6,121</u>	<u>5.01%</u>
<b>U.S. Government Agencies &amp; Government Insured:</b>						
Treasury Notes	499	-	-	15,448	9,984	8.18%
Treasury Bonds	1,208	1,096	2.42%	748	670	0.55%
Treasury Bonds (Zero Coupons)	-	-	-	-	-	-
U.S. Government Agencies	4,247	6,583	14.54%	10,471	15,021	12.30%
Insured Marine Bonds	-	-	-	-	-	-
	<u>5,954</u>	<u>7,679</u>	<u>16.96%</u>	<u>26,667</u>	<u>25,675</u>	<u>21.03%</u>
<b>Corporate Bonds:</b>						
Industrials	4,272	3,989	8.81%	9,414	9,151	7.49%
Utilities	5,033	4,328	9.56%	12,906	11,970	9.80%
Financial & Other	2,558	3,036	6.70%	5,139	7,339	6.01%
	<u>11,863</u>	<u>11,353</u>	<u>25.07%</u>	<u>27,459</u>	<u>28,460</u>	<u>23.30%</u>
<b>Convertible Bonds</b>	<u>1</u>	<u>1</u>	<u>0.00%</u>	<u>1</u>	<u>1</u>	<u>0.00%</u>
	<u>1</u>	<u>1</u>	<u>0.00%</u>	<u>1</u>	<u>1</u>	<u>0.00%</u>
<b>Common Stock</b>	<u>9,505</u>	<u>11,531</u>	<u>25.46%</u>	<u>23,368</u>	<u>28,400</u>	<u>23.25%</u>
	<u>9,505</u>	<u>11,531</u>	<u>25.46%</u>	<u>23,368</u>	<u>28,400</u>	<u>23.25%</u>
<b>Common Trust Funds</b>	<u>10,948</u>	<u>13,575</u>	<u>29.98%</u>	<u>27,038</u>	<u>33,471</u>	<u>27.41%</u>
	<u>10,948</u>	<u>13,575</u>	<u>29.98%</u>	<u>27,038</u>	<u>33,471</u>	<u>27.41%</u>
<b>Total Investments</b>	<u>\$ 46,300</u>	<u>\$ 45,282</u>	<u>100.00%</u>	<u>\$ 118,299</u>	<u>\$ 122,128</u>	<u>100.00%</u>

Note: Market value excludes securities lending assets.



## Investment Section

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### Summary of Market Value of Investments (Amounts expressed in thousands)

#### National Guard Retirement System

	<u>Market Value</u> 06/30/2006	% of Market Value at 06/30/06
<b>Short-Term Investments:</b>		
Repurchase Agreements	\$ 5,148	40.57%
Money Market Funds	-	-
Commercial Paper	-	-
Federal Agencies	-	-
	<u>5,148</u>	<u>40.57%</u>
<b>U.S. Government Agencies &amp; Government Insured:</b>		
Treasury Notes	-	-
Treasury Bonds	-	-
Treasury Bonds (Zero Coupons)	-	-
U.S. Government Agencies	2,816	22.19%
Insured Marine Bonds	-	-
	<u>2,816</u>	<u>22.19%</u>
<b>Corporate Bonds:</b>		
Industrials	1,082	8.53%
Utilities	1,125	8.86%
Financial & Other	2,519	19.85%
	<u>4,726</u>	<u>37.24%</u>
<b>Total Investments</b>	<u>\$ 12,690</u>	<u>100.00%</u>

Note: Market value excludes securities lending assets.

Effective January 1, 2006, the South Carolina Retirement Systems assumed administrative responsibilities for the National Guard Retirement System.

## Investment Section

### South Carolina Retirement System List of Largest Assets Held

As of June 30, 2006, SCRS held units in the following common trust funds:

<u>Units</u>	<u>Description</u>	<u>Market Value</u>
24,012,850	State Street Global Advisors (S&P 500 equity index fund)	\$ 5,718,900,312
8,146,333	State Street Global Advisors (Russell 2000 equity index fund)	348,345,332
3,049,019	Barclays Global Investors Alpha Tilts Fund (large cap active core equity fund)	428,409,378
	<b>Total</b>	<b>\$ 6,495,655,022</b>

Top ten equity holdings in actively managed separate accounts at June 30, 2006:

<u>Units</u>	<u>Description</u>	<u>Market Value</u>
2,280,518	Citigroup Inc	\$ 110,012,210
2,414,234	Yahoo Inc	79,669,710
1,156,488	Exxon Mobil Corp	70,950,524
1,848,455	Starbucks Corp	69,797,667
2,370,960	Ebay Inc	69,445,407
163,301	Google Inc	68,477,100
1,442,544	Walgreen Company	64,683,689
2,571,630	Dell Inc	62,773,499
1,077,339	Expeditors International	60,341,763
1,139,631	Bank America Corp	54,816,233
	<b>Total</b>	<b>\$ 710,967,802</b>

Top ten fixed income holdings at June 30, 2006:

<u>Par Value</u>	<u>Description</u>	<u>Market Value</u>
\$ 291,350,000	BECCS (Treasury 14% due 11/15/11-06)	\$ 285,846,398
200,000,000	Federal Home Loan Bank 4% due 06/13/07	197,062,500
167,103,199	GNMA #651753 5.50% due 03/15/36	161,998,196
157,537,622	GNMA #651860 5.50% due 06/15/36	152,724,848
140,086,602	GNMA #550657 5.50% due 09/15/35	135,847,581
133,054,157	GNMA #651722 5.50% due 02/15/36	128,989,353
131,504,631	GNMA #781987 5.50% due 10/15/35	127,537,136
120,341,038	GNMA #782007 5.50% due 12/15/35	116,705,535
114,985,390	GNMA #604046 5.50% due 02/15/33	111,593,321
87,671,000	AT&T Broadband Corp 9.455% due 11/15/22	108,931,218
	<b>Total</b>	<b>\$ 1,527,236,086</b>

Note: A complete list of portfolio holdings is available upon request.

## Investment Section

### Police Officers Retirement System List of Largest Assets Held

As of June 30, 2006, PORS held units in the following common trust funds:

<u>Units</u>	<u>Description</u>	<u>Market Value</u>
2,865,001	State Street Global Advisors (S&P 500 equity index fund)	\$ 682,328,695
964,025	State Street Global Advisors (Russell 2000 equity index fund)	41,222,655
363,904	Barclays Global Investors Alpha Tilts Fund (large cap active core equity fund)	51,131,222
	<b>Total</b>	<b>\$ 774,682,572</b>

Top ten equity holdings in actively managed separate accounts at June 30, 2006:

<u>Units</u>	<u>Description</u>	<u>Market Value</u>
273,253	Citigroup Inc	\$ 13,181,739
289,275	Yahoo Inc	9,546,079
138,571	Exxon Mobil Corp	8,501,341
221,483	Starbucks Corp	8,363,204
284,090	Ebay Inc	8,320,996
19,567	Google Inc	8,204,973
172,847	Walgreen Company	7,750,444
308,135	Dell Inc	7,521,564
129,088	Expeditors International	7,230,192
136,551	Bank America Corp	6,568,119
	<b>Total</b>	<b>\$ 85,188,651</b>

Top ten fixed income holdings at June 30, 2006:

<u>Par Value</u>	<u>Description</u>	<u>Market Value</u>
\$ 69,668,514	GNMA #781590 5.50% due 04/15/33	\$ 67,625,833
48,900,000	BECCS (Treasury 14% due 11/15/11-06)	47,976,279
25,000,000	Federal Home Loan Bank 4% due 06/13/07	24,632,813
22,745,039	GNMA #550728 5.50% due 11/15/35	22,056,774
22,485,329	GNMA #616997 5.50% due 02/15/36	21,798,402
17,132,646	GNMA #781987 5.50% due 10/15/35	16,615,754
15,000,000	Federal Home Loan Bank 4.63% due 04/13/07	15,019,950
11,626,000	AT&T Broadband Corp 9.455% due 11/15/22	14,445,305
14,825,824	GNMA #602533 5.50% due 02/15/36	14,372,895
14,197,349	GNMA #633488 5.50% due 03/15/36	13,763,620
	<b>Total</b>	<b>\$ 258,307,625</b>

Note: A complete list of portfolio holdings is available upon request.



## Investment Section

### General Assembly Retirement System List of Largest Assets Held

As of June 30, 2006, GARS held units in the following common trust funds:

<u>Units</u>	<u>Description</u>	<u>Market Value</u>
50,186	State Street Global Advisors (S&P 500 equity index fund)	\$ 11,952,377
17,048	State Street Global Advisors (Russell 2000 equity index fund)	728,986
6,360	Barclays Global Investors Alpha Tilts Fund (large cap active core equity fund)	893,650
<b>Total</b>		<b>\$ 13,575,013</b>

Top ten equity holdings in actively managed separate accounts at June 30, 2006:

<u>Units</u>	<u>Description</u>	<u>Market Value</u>
4,882	Citigroup Inc	\$ 235,521
5,169	Yahoo Inc	170,562
2,476	Exxon Mobil Corp	151,896
3,957	Starbucks Corp	149,428
5,076	Ebay Inc	148,674
350	Google Inc	146,601
3,088	Walgreen Company	138,479
5,506	Dell Inc	134,390
2,306	Expeditors International	129,184
2,440	Bank of America Corp	117,354
<b>Total</b>		<b>\$ 1,522,089</b>

Top ten fixed income holdings at June 30, 2006:

<u>Par Value</u>	<u>Description</u>	<u>Market Value</u>
\$ 1,282,622	GNMA #419409 7.625% due 10/15/21	\$ 1,278,607
1,000,000	Federal Home Loan Bank 4.65% due 02/22/07	999,010
754,246	GNMA #781590 5.50% due 4/15/33	732,132
500,000	U.S. Treasury Bonds 9.125% due 05/15/18	669,570
500,000	Coca Cola 8% due 9/15/22	585,425
500,000	Massachusetts Mutual Life Insurance Co 7.625% due 11/15/23	575,620
500,000	Federal Farm Credit Bank 9.80% due 7/20/09	560,585
500,000	Waste Management 8.75% due 05/01/18	522,910
500,000	GTE Corp 7.90% due 2/1/27	521,300
500,000	Sherwin Williams Co 7.375% due 2/1/27	506,490
<b>Total</b>		<b>\$ 6,951,649</b>

Note: A complete list of portfolio holdings is available upon request.

## Investment Section

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### Judges and Solicitors Retirement System List of Largest Assets Held

As of June 30, 2006, JSRS held units in the following common trust funds:

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<u>Units</u>	<u>Description</u>	<u>Market Value</u>
123,790	State Street Global Advisors (S&P 500 equity index fund)	\$ 29,481,782
41,641	State Street Global Advisors (Russell 2000 equity index fund)	1,780,596
15,721	Barclays Global Investors Alpha Tilts Fund (large cap active core equity fund)	2,208,897
		<u>Total \$ 33,471,275</u>

Top ten equity holdings in actively managed separate accounts at June 30, 2006:

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<u>Units</u>	<u>Description</u>	<u>Market Value</u>
11,763	Citigroup Inc	\$ 567,446
12,453	Yahoo Inc	410,939
5,965	Exxon Mobil Corp	365,964
9,534	Starbucks Corp	360,018
12,229	Ebay Inc	358,201
842	Google Inc	353,206
7,441	Walgreen Company	333,640
13,265	Dell Inc	323,787
5,557	Expeditors International	311,244
5,878	Bank of America Corp	282,743
		<u>Total \$ 3,667,188</u>

Top ten fixed income holdings at June 30, 2006:

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<u>Par Value</u>	<u>Description</u>	<u>Market Value</u>
\$ 10,000,000	U.S. Treasury Notes 2.75% due 07/31/06	\$ 9,984,000
2,693,418	GNMA #419411 7.625% due 10/15/21	2,684,987
2,322,284	GNMA #781590 5.50% due 04/15/33	2,254,194
2,000,000	Federal Home Loan Bank 4.65% due 02/22/07	1,998,020
1,233,125	GNMA #782076 5.50% due 03/15/36	1,195,786
1,000,000	Pedernales Electric 8.55% due 11/15/20	1,192,000
1,000,000	Massachusetts Mutual Life Insurance Co 7.625% due 11/15/23	1,151,240
1,000,000	Federal Farm Credit Bank 9.80% due 07/20/09	1,121,170
1,000,000	McKesson Corp 7.65% due 03/01/27	1,087,590
1,000,000	Tampa Electric 6.875% due 06/15/12	1,046,750
		<u>Total \$ 23,715,737</u>

Note: A complete list of portfolio holdings is available upon request.

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## Investment Section

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### National Guard Retirement System List of Largest Assets Held

#### Top ten fixed income holdings at June 30, 2006:

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<u>Par Value</u>	<u>Description</u>	<u>Market Value</u>
\$ 500,000	Federal Farm Credit Bank 2.125% due 07/17/06	\$ 499,375
500,000	Federal Home Loan Bank 4% due 08/18/06	499,063
500,000	Patron's Legacy 5.775% due 07/23/18	495,030
400,000	General Electric Cap Corporation 3.50% due 12/05/07	388,476
396,972	GNMA #781590 5.50% due 04/15/33	385,332
250,000	Dayton Hudson Corp 9.520% due 06/10/15	304,680
298,673	GNMA #604436 4.50% due 07/15/18	284,722
275,513	GNMA #487145 4.50% due 04/15/20	262,481
250,000	Nationwide Financial Services 8% due 03/01/27	261,355
250,000	Archer Daniel Midland Company 6.625% due 05/01/29	261,288
<b>Total</b>		<b>\$ 3,641,802</b>

Note: A complete list of portfolio holdings is available upon request.

Effective January 1, 2006, the South Carolina Retirement Systems assumed administrative responsibilities for the National Guard Retirement System (NGRS). Historically, NGRS funds have been invested strictly in the fixed income market; however, in fiscal year 2007, the NGRS pension trust fund will be reallocated, pooled together, and invested in the same manner as the other four pension trust funds administered by the South Carolina Retirement Systems.

## Investment Section

### South Carolina Retirement Systems Schedule of Investment Results

	Fiscal Years ended June 30,	91 Day Treasury Bill Index	Cash Segment Returns <sup>1</sup>	Lehman Aggregate (Fixed Benchmark)	Fixed Income Segment Returns	S&P 500 Equity Index (Equity Benchmark)	Equity Segment Returns <sup>2</sup>	Consumer Price Index (CPI) <sup>3</sup>	Actuarial Assumed Rate of Return	Total Portfolio Returns
<b>SCRS</b>	2006	3.99%	4.43%	-0.81%	0.66%	8.64%	10.63%	4.33%	7.25%	5.11%
	2005	2.15%	2.30%	6.80%	6.94%	6.32%	7.24%	2.53%	7.25%	7.03%
	2004	-	-	0.33%	1.47%	19.10%	20.88%	3.27%	7.25%	8.79%
	2003	-	-	10.40%	11.82%	0.25%	-0.40%	2.11%	7.25%	8.98%
	2002	-	-	8.63%	8.24%	-17.99%	-17.32%	1.07%	7.25%	0.91%
	2001	-	-	11.23%	10.90%	-14.83%	-7.75%	3.25%	7.25%	7.14%
	2000	-	-	4.56%	4.24%	7.25%	10.23%	3.73%	7.25%	4.77%
	1999	-	-	3.13%	2.30%	-	5.44%	1.96%	7.25%	2.42%
	1998	-	-	10.54%	15.06%	-	-	1.68%	7.25%	15.06%
	1997	-	-	8.16%	8.99%	-	-	2.30%	7.25%	8.99%
	3-Year Annualized	2.36%	-	2.05%	2.99%	11.22%	12.83%	3.37%		6.96%
	5-Year Annualized	2.25%	-	4.98%	5.74%	2.49%	3.43%	2.65%		6.13%
	10-Year Annualized	3.81%	-	6.22%	6.96%	8.31%	-	2.62%		6.86%
<b>PORS</b>	2006	3.99%	4.51%	-0.81%	0.88%	8.64%	10.52%	4.33%	7.25%	5.10%
	2005	2.15%	2.34%	6.80%	6.26%	6.32%	7.24%	2.53%	7.25%	6.63%
	2004	-	-	0.33%	1.60%	19.10%	20.88%	3.27%	7.25%	8.64%
	2003	-	-	10.40%	10.45%	0.25%	-0.40%	2.11%	7.25%	8.32%
	2002	-	-	8.63%	8.15%	-17.99%	-17.32%	1.07%	7.25%	1.02%
	2001	-	-	11.23%	10.72%	-14.83%	-7.75%	3.25%	7.25%	7.09%
	2000	-	-	4.56%	4.40%	7.25%	10.23%	3.73%	7.25%	4.93%
	1999	-	-	3.13%	2.62%	-	5.44%	1.96%	7.25%	2.74%
	1998	-	-	10.54%	14.24%	-	-	1.68%	7.25%	14.24%
	1997	-	-	8.16%	8.77%	-	-	2.30%	7.25%	8.77%
	3-Year Annualized	2.36%	-	2.05%	2.89%	11.22%	12.79%	3.37%		6.76%
	5-Year Annualized	2.25%	-	4.98%	5.40%	2.49%	3.40%	2.65%		5.88%
	10-Year Annualized	3.81%	-	6.22%	6.73%	8.31%	-	2.62%		6.68%

<sup>1</sup>Effective July 1, 2004, a 2 percent (approximately) portion of the aggregate fixed income portfolio was segmented into a liquidity pool of short duration investments to more efficiently manage cash flows.

<sup>2</sup>Equity segment funded June 1999.

<sup>3</sup>Measure of the Consumer Price Index (CPI) - All Urban Consumers (all items) represents the year-over-year changes in prices of all goods and services purchased for consumption by urban households and includes expenditures by urban wage earners and clerical workers, professional, managerial, and technical workers, the self-employed, short-term workers, the unemployed, retirees and others not in the labor force. This represents about 80 percent of the total U.S. population and is the broadest, most comprehensive measure of changes in prices of goods and services.

Note: Calculations were prepared using a time-weighted, market rate of return in accordance with the Chartered Financial Analyst (CFA) Institute's performance presentation standards.

## Investment Section

### South Carolina Retirement Systems Schedule of Investment Results

	Fiscal Years ended June 30,	91 Day Treasury Bill Index	Cash Segment Returns <sup>1</sup>	Lehman Aggregate (Fixed Benchmark)	Fixed Income Segment Returns	S&P 500 Equity Index (Equity Benchmark)	Equity Segment Returns <sup>2</sup>	Consumer Price Index (CPI) <sup>3</sup>	Actuarial Assumed Rate of Return	Total Portfolio Returns
GARS	2006	3.99%	3.98%	-0.81%	-0.56%	8.64%	10.67%	4.33%	7.25%	4.70%
	2005	2.15%	1.99%	6.80%	7.83%	6.32%	7.24%	2.53%	7.25%	7.43%
	2004	-	-	0.33%	1.57%	19.10%	20.88%	3.27%	7.25%	9.41%
	2003	-	-	10.40%	13.85%	0.25%	-0.40%	2.11%	7.25%	10.49%
	2002	-	-	8.63%	7.51%	-17.99%	-17.32%	1.07%	7.25%	0.38%
	2001	-	-	11.23%	11.29%	-14.83%	-7.75%	3.25%	7.25%	7.28%
	2000	-	-	4.56%	4.29%	7.25%	10.23%	3.73%	7.25%	3.92%
	1999	-	-	3.13%	2.76%	-	5.44%	1.96%	7.25%	2.88%
	1998	-	-	10.54%	12.68%	-	-	1.68%	7.25%	12.68%
	1997	-	-	8.16%	8.49%	-	-	2.30%	7.25%	8.49%
	3-Year Annualized	2.36%	-	2.05%	2.89%	11.22%	12.88%	3.37%		7.16%
	5-Year Annualized	2.25%	-	4.98%	5.92%	2.49%	3.47%	2.65%		6.38%
	10-Year Annualized	3.81%	-	6.22%	6.87%	8.31%	-	2.62%		6.84%
JSRS	2006	3.99%	4.17%	-0.81%	0.57%	8.64%	10.55%	4.33%	7.25%	4.84%
	2005	2.15%	1.90%	6.80%	7.43%	6.32%	7.24%	2.53%	7.25%	7.30%
	2004	-	-	0.33%	1.79%	19.10%	20.88%	3.27%	7.25%	9.02%
	2003	-	-	10.40%	12.07%	0.25%	-0.40%	2.11%	7.25%	9.42%
	2002	-	-	8.63%	8.38%	-17.99%	-17.32%	1.07%	7.25%	1.50%
	2001	-	-	11.23%	11.46%	-14.83%	-7.75%	3.25%	7.25%	7.66%
	2000	-	-	4.56%	3.08%	7.25%	10.23%	3.73%	7.25%	3.65%
	1999	-	-	3.13%	2.52%	-	5.44%	1.96%	7.25%	2.64%
	1998	-	-	10.54%	13.06%	-	-	1.68%	7.25%	13.06%
	1997	-	-	8.16%	8.70%	-	-	2.30%	7.25%	8.70%
	3-Year Annualized	2.36%	-	2.05%	3.22%	11.22%	12.80%	3.37%		7.02%
	5-Year Annualized	2.25%	-	4.98%	5.96%	2.49%	3.40%	2.65%		6.37%
	10-Year Annualized	3.81%	-	6.22%	6.93%	8.31%	-	2.62%		6.83%

<sup>1</sup>Effective July 1, 2004, a 2 percent (approximately) portion of the aggregate fixed income portfolio was segmented into a liquidity pool of short duration investments to more efficiently manage cash flows.

<sup>2</sup>Equity segment funded June 1999.

<sup>3</sup>Measure of the Consumer Price Index (CPI) - All Urban Consumers (all items) represents the year-over-year changes in prices of all goods and services purchased for consumption by urban households and includes expenditures by urban wage earners and clerical workers, professional, managerial, and technical workers, the self-employed, short-term workers, the unemployed, retirees and others not in the labor force. This represents about 80 percent of the total U.S. population and is the broadest, most comprehensive measure of changes in prices of goods and services.

Note: Calculations were prepared using a time-weighted, market rate of return in accordance with the Chartered Financial Analyst (CFA) Institute's performance presentation standards.



## Investment Section

### South Carolina Retirement Systems Schedule of Investment Results<sup>1</sup>

	Fiscal Years ended June 30,	91 Day Treasury Bill Index	Cash Segment Returns	Lehman Aggregate (Fixed Benchmark)	Fixed Income Segment Returns	S&P 500 Equity Index (Equity Benchmark)	Equity Segment Returns	Consumer Price Index (CPI) <sup>2</sup>	Actuarial Assumed Rate of Return	Total Portfolio Returns
<b>NGRS</b>	2006	3.99%	-	-0.81%	1.69%	8.64%	-	4.33%	7.25%	1.72%
	3-Year Annualized	2.36%	-	2.05%	-	11.22%	-	3.37%		-
	5-Year Annualized	2.25%	-	4.98%	-	2.49%	-	2.65%		-
	10-Year Annualized	3.81%	-	6.22%	-	8.31%	-	2.62%		-

<sup>1</sup>The South Carolina Retirement Systems did not assume administrative responsibilities for the National Guard Retirement System until January 1, 2006; therefore, prior year data is not presented.

<sup>2</sup>Measure of the Consumer Price Index (CPI) - All Urban Consumers (all items) represents the year-over-year changes in prices of all goods and services purchased for consumption by urban households and includes expenditures by urban wage earners and clerical workers, professional, managerial, and technical workers, the self-employed, short-term workers, the unemployed, retirees and others not in the labor force. This represents about 80 percent of the total U.S. population and is the broadest, most comprehensive measure of changes in prices of goods and services.

Note: Calculations were prepared using a time-weighted, market rate of return in accordance with the Chartered Financial Analyst (CFA) Institute's performance presentation standards.

## Investment Section

### South Carolina Retirement Systems Equity Performance Summary For the Periods Ended June 30, 2006

	<u>Quarter Return</u>	<u>One Year Return</u>	<u>Three Years Return</u>	<u>Five Years Return</u>
<b>Total Equity Portfolio</b>	-2.67%	10.34%	12.67%	3.33%
Total Equity Index	-2.2%	10.0%	12.8%	3.8%
Russell 3000 Index	-2.0%	9.6%	12.6%	3.5%
S&P 500 Index - Total Return Index (S&P Calc)	-1.4%	8.6%	11.2%	2.5%
<b>Passive Equity</b>				
State Street Global Advisors - S&P 500 Index Fund	-1.4%	8.6%	11.2%	2.4%
Rank vs. Mercer US Equity Large Cap Core Universe				
Mercer US Equity Large Cap Core Universe Median	-1.6%	9.6%	12.5%	4.0%
S&P 500 Index - Total Return Index (S&P Calc)	-1.4%	8.6%	11.2%	2.5%
State Street Global Advisors - Russell 2000 Index Fund	-5.0%			
Rank vs. Mercer US Equity Small Cap Core Universe				
Mercer US Equity Small Cap Core Universe Median	-4.7%	14.9%	19.7%	11.8%
Russell 2000 Index	-5.0%	14.6%	18.7%	8.5%
<b>Total Active Equity</b>	-3.4%	12.1%	13.9%	3.9%
Russell 3000 Index	-2.0%	9.6%	12.6%	3.5%
S&P 500 Index - Total Return Index (S&P Calc)	-1.4%	8.6%	11.2%	2.5%
Total Active Equity Index	-2.8%	11.0%	14.2%	4.9%
<b>Total Active Large Cap Equity</b>	-3.1%	9.1%	11.2%	2.6%
Rank vs. Mercer US Equity Large Cap Equity Universe				
Mercer US Equity Large Cap Equity Universe Median	-1.7%	9.6%	12.9%	4.3%
Active Large Cap Equity Index	-1.6%	9.0%	11.9%	3.1%
<b>Large Cap Core Equity</b>	-0.8%	11.0%	12.5%	3.0%
Rank vs. Mercer US Equity Large Cap Core Universe				
Mercer US Equity Large Cap Core Universe Median	-1.6%	9.6%	12.5%	4.0%
S&P 500 Index - Total Return Index (S&P Calc)	-1.4%	8.6%	11.2%	2.5%
<b>Large Cap Growth Equity</b>	-7.2%	9.0%	9.0%	-0.3%
Rank vs. Mercer US Equity Large Cap Growth Universe				
Mercer US Equity Large Cap Growth Universe Median	-4.1%	7.6%	10.2%	0.9%
Russell 1000 Growth Index	-3.9%	6.1%	8.3%	-0.8%
<b>Large Cap Value Equity</b>	-0.8%	10.6%	13.1%	5.2%
Rank vs. Mercer US Equity Large Cap Universe				
Mercer US Equity Large Cap Value Universe Median	-0.2%	11.7%	15.4%	7.2%
Russell 1000 Value Index	0.6%	12.1%	15.7%	6.9%
<b>Total Active Smaller Cap Equity</b>	4.0%	17.6%	20.3%	6.8%
Rank vs. Mercer US Equity Small Cap Universe				
Mercer US Equity Smaller Cap Universe Median	-4.7%	14.9%	19.7%	11.7%
Russell 2000 Index	-5.0%	14.6%	18.7%	8.5%
Smaller Cap Equity Index	-5.0%	14.4%	19.2%	9.0%
<b>Smaller Cap Core Equity</b>	-5.0%	17.4%	22.8%	10.4%
Rank vs. Mercer US Equity Small Cap Universe				
Mercer US Equity Small Cap Universe Median	-4.7%	14.9%	19.7%	11.7%
Russell 2000 Index	-5.0%	14.6%	18.7%	8.5%
<b>Smaller Cap Growth Equity</b>	-5.1%	20.4%	15.7%	-1.8%
Rank vs. Mercer US Equity Small Cap Growth Universe				
Mercer US Equity Small Cap Growth Universe Median	-6.6%	15.1%	17.9%	6.7%
Russell 2000 Growth Index	-7.3%	14.6%	16.3%	3.5%
<b>Smaller Cap Value Equity</b>	-2.2%	15.7%	21.8%	11.3%
Rank vs. Mercer US Equity Small Cap Value Universe				
Mercer US Equity Small Cap Value Universe Median	-3.1%	14.5%	21.6%	14.2%
Russell 2000 Value Index	-2.7%	14.6%	21.0%	13.1%

Data provided by Mercer Investment Consulting, Inc.

## Investment Section

### South Carolina Retirement Systems Schedule of Investment Fees and Commissions For the Year Ended June 30, 2006

	Market Value of Assets under Management at June 30, 2006 <sup>1</sup>	Fees
Investment Managers' Fees:		
Equity Managers' Fees (amounts expressed in thousands)	\$ 13,640,251	\$ 28,293
Other Investment Service Fees:		
Bank Fees (amounts expressed in thousands)		1,544
		\$ 29,837

Brokerage Firm	Number of Shares Traded	Commissions <sup>2</sup>	Average Commissions per Share
Credit Suisse First Boston	19,574,899	\$ 528,266	0.0270
Merrill Lynch Pierce Fenner & Smith	9,910,354	405,054	0.0409
Goldman Sachs & Co.	13,348,906	365,482	0.0274
Citigroup Global Markets, Inc.	9,686,266	313,681	0.0324
Lehman Brothers Inc. USA	11,210,428	296,644	0.0265
Bear Stearns & Co., Inc.	8,010,263	284,208	0.0355
UBS Securities, LLC	7,299,876	265,727	0.0364
Morgan Stanley & Co., Inc.	7,080,531	213,825	0.0302
Jefferies & Co., Inc.	7,137,599	206,382	0.0289
Banc/America Securities LLC	5,668,949	203,535	0.0359
Liquidnet Inc.	8,319,293	201,491	0.0242
Deutsche Banc/Alex Brown Inc.	6,509,330	197,359	0.0303
Cantor, Fitzgerald & Co., Inc.	5,454,595	194,961	0.0357
Bear Stearns Securities Corp.	5,017,349	172,957	0.0345
JP Morgan Securities Inc.	4,207,727	156,823	0.0373
Investment Technology Group	6,656,474	149,526	0.0225
Sanford C. Bernstein & Co. LLC	4,607,168	138,936	0.0302
Piper Jaffray & Co.	3,597,408	135,925	0.0378
McDonald Investments, Inc.	3,545,021	135,835	0.0383
Raymond James & Associates, Inc.	2,959,899	125,449	0.0424
CIBC World Markets Corp.	2,883,101	122,239	0.0424
Thomas Weisel Partners LLC	3,696,030	118,132	0.0320
Weeden & Company	5,095,620	114,607	0.0225
Cap Institutional Services, Inc.	4,687,171	103,753	0.0221
Wachovia Securities Capital Markets	2,179,516	96,158	0.0441
Keefe Bruyette & Woods Inc.	2,119,637	92,041	0.0434
Instinet Corporation	5,500,598	88,525	0.0161
Baird, Robert W. & Co. Inc.	1,996,873	88,379	0.0443
Jones & Associates, Inc.	2,778,943	87,749	0.0316
B-Trade Services, LLC	4,486,450	87,403	0.0195
First Albany Corporation	1,955,148	83,689	0.0428
National Financial Services Corp.	4,730,080	83,131	0.0176
First Clearing, LLC	2,323,708	77,313	0.0333
Vandham Securities Corp.	3,499,190	69,984	0.0200
BNY Brokerage Inc.	2,646,886	67,234	0.0254
Midwest Research Securities	1,418,999	64,938	0.0458
UBS Financial Services, Inc.	1,302,955	64,129	0.0492
Friedman, Billings & Ramsey	1,336,461	60,493	0.0453
Knight Securities	2,040,360	57,230	0.0280
Merrill Lynch Professional	2,301,584	56,777	0.0247
Adams, Harkness & Hill Inc.	1,276,167	55,435	0.0434
Edwards, A.G., & Sons	1,322,910	55,142	0.0417
RBC Dominion Securities Corp.	1,145,307	52,343	0.0457
Labranche Financial SVC Inc.	2,349,800	51,456	0.0219
Morgan Keegan & Co., Inc.	1,369,230	51,116	0.0373
All others <sup>3</sup>	52,047,572	1,594,087	0.0306
	268,292,631	\$ 8,235,547	0.0307

Data provided by the Bank of New York.

<sup>1</sup>Assets under management include categories classified as cash and cash equivalents for financial statement purposes.

<sup>2</sup>Commissions paid to brokers are considered a part of the investment asset cost and are therefore not reported as expenses of the System.

<sup>3</sup>Other brokers include 171 additional brokers each receiving less than \$50,000 in total commissions.

## Investment Section

### South Carolina Retirement Systems Schedule of Investment Managers and Fees for Equities For the Year Ended June 30, 2006 (Amounts expressed in thousands)

<u>Investment Manager</u>	<u>Style</u>	<u>Initial Funding Date</u>	<u>Market Value of Assets under Management at June 30, 2006<sup>1</sup></u>	<u>Fees</u>
State Street Global Advisors Boston, MA	Large Cap Passive S&P 500 Index Fund	June 16, 1999	\$ 6,442,663	\$ 173
Flippin, Bruce & Porter, Inc. Lynchburg, VA	Large Cap Value	March 2, 2000	239,657	861
AllianceBernstein, LP New York, NY	Large Cap Value	May 3, 2000	510,957	1,010
Aronson + Johnson + Ortiz, LP <sup>2</sup> Philadelphia, PA	Large Cap Value	September 21, 2005	650,504	-
Pzena Investment Management, LLC <sup>3</sup> New York, NY	Large Cap Value	September 21, 2005	408,648	1,353
Montag & Caldwell, Inc. <sup>4</sup> Atlanta, GA	Large Cap Growth	May 8, 2000	-	216
AllianceBernstein, LP New York, NY	Large Cap Growth	July 2, 2001	221,777	567
Legg Mason Capital Management, Inc. <sup>5</sup> Baltimore, MD	Large Cap Growth	September 21, 2005	382,059	1,209
Sands Capital Management, LP <sup>6</sup> Arlington, VA	Large Cap Growth	September 21, 2005	360,889	1,430
WCM Investment Management <sup>7</sup> Lake Forest, CA	Large Cap Growth	September 21, 2005	685,269	2,182
Wellington Management Company, LLP Boston, MA	Large Cap Core	March 15, 2000	715,534	2,827
Barclays Global Investors, NA San Francisco, CA	Large Cap Core	April 16, 2004	482,643	1,217
State Street Global Advisors Boston, MA	Small/Mid Cap Passive Russell 2000 Index Fund	October 1, 2001	392,078	98
J.L. Kaplan Associates, LLC <sup>8</sup> Boston, MA	Small Cap Value	October 29, 1999	-	1,500
Wells Capital Management, Inc. (Benson Value Team) Portland, OR	Small Cap Value	October 1, 2002	355,568	2,021
Integrity Asset Management, LLC Louisville, KY	Small Cap Value	March 15, 2005	148,664	866
Thompson, Siegel & Walmsley, Inc. Richmond, VA	Small Cap Value	March 15, 2005	222,523	1,335
TimesSquare Capital Management, LLC New York, NY	Small Cap Growth	October 1, 2002	324,402	2,312
Nicholas-Applegate Capital Management, LLC <sup>9</sup> San Diego, CA	Small Cap Growth	December 31, 2004	-	1,788
Batterymarch Financial Management, Inc. Boston, MA	Small Cap Growth	March 15, 2005	200,216	1,242
Turner Investment Partners, Inc. Berwyn, PA	Small Cap Growth	March 15, 2005	223,359	1,529
ClariVest Asset Management, LLC <sup>10</sup> San Diego, CA	Small Cap Growth	June 5, 2006	289,974	54
The Boston Company Asset Management, LLC <sup>11</sup> Boston, MA	Small Cap Core	November 17, 1999	-	318
Fidelity Management Trust Company Boston, MA	Small Cap Core	May 23, 2000	382,668	2,185
State Street Bank & Trust Co. (as Transition manager) <sup>12</sup> Boston, MA			199	-
			<b>\$ 13,640,251</b>	<b>\$ 28,293</b>

<sup>1</sup>Assets under management include categories classified as cash and cash equivalents for financial statement purposes.

<sup>2</sup>Aronson + Johnson + Ortiz, LP, was funded September 2005. The manager's fee is calculated strictly on performance based on annualized returns and includes no base fee. No fees are payable until after the first three full calendar quarters.

<sup>3</sup>Pzena Investment Management, LLC, was funded September 2005.

<sup>4</sup>The contract with Montag & Caldwell, Inc., was terminated September 2005.

<sup>5</sup>Legg Mason Capital Management, Inc., was funded September 2005.

<sup>6</sup>Sands Capital Management, LP, was funded September 2005.

<sup>7</sup>WCM Investment Management was funded September 2005.

<sup>8</sup>The contract with J. L. Kaplan Associates, LLC, was terminated May 2006.

<sup>9</sup>The contract with Nicholas-Applegate Capital Management, LLC, was terminated June 2006.

<sup>10</sup>ClariVest Asset Management, LLC, was funded June 2006.

<sup>11</sup>The contract with The Boston Company Asset Management, LLC, was terminated August 2005.

<sup>12</sup>The balance held by State Street Bank & Trust Co. represents funds remaining at fiscal year-end during the transition from J. L. Kaplan Associates, LLC, to the S&P 500 fund.